

<p>Meeting Date: December 6, 2018</p>	<p>Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun 660 Davis Street, San Francisco, CA 94111</p> <p>FINANCE COMMITTEE MEETING MINUTES</p>	<p>Page 1 of 7</p>
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Committee Members Present:

David Hoppes, Committee Chair, Commissioner
Mike Jacob, Vice President-General Counsel, Pacific Merchant Shipping Association (PMSA)
Captain Einar Nyborg, Commissioner
Ray Paetzold, Business Director-General Counsel, San Francisco Bar Pilots (SFBP)

Committee Members Absent:

None.

Staff Present

Allen Garfinkle, Executive Director
Roma Cristia-Plant, Assistant Director
Luis Cruz, Associate Governmental Program Analyst
Alethea Wong, Administrative Assistant II

OPEN MEETING

1. Call to Order and Roll Call. (Chairman Hoppes)

Chairman Hoppes acknowledged that there was a quorum and called the meeting to order at 9:31 a.m.

2. Approval of the minutes from the Committee meeting held on September 13, 2018. (Chairman Hoppes)

Committee members were presented with the draft minutes from the Committee meeting held on September 13, 2018. Mr. Paetzold requested a minor edit to the minutes.

MOTION: Mr. Paetzold moved to approve the draft minutes from the meeting held on September 13, 2018, as amended. Mr. Jacob seconded the motion.

VOTE: YES: Hoppes, Jacob, Nyborg, and Paetzold.
NO: None.

ACTION: The motion was approved with a correction.

3. Review Board fund condition, revenue and expenditure projections and monthly data for all pilotage fees and vessel moves and their effect on Board-approved surcharges.

The Committee thoroughly reviewed the following fiscal data:

- The 2018-19 fiscal year-to-date statement of fund condition and forecast assumptions as of August 31, 2018, including current fiscal year budget, budget analysis, and projected revenues and expenditures, and contract encumbrances for the Board Operations, Pilot Continuing Education, and Pilot Trainee Training Funds.

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- Historical and projected surcharge data for the Board Operations, the Continuing Education, and Trainee Training Surcharges.
- a) **Review Board Operations Surcharge rate (currently at 2.75%), and the revenues, expenditures and reserve balance. Recommendation to the Board to adjust the Board Operations Surcharge rate, if warranted. (Executive Director Garfinkle/Assistant Director Cristia-Plant)**
- b) **Review Pilot Continuing Education Surcharge rate (currently at \$25/move), and the revenues, expenditures and reserve balance. Recommendation to the Board to adjust the Pilot Continuing Education Surcharge rate, if warranted. (Executive Director Garfinkle/Assistant Director Cristia-Plant)**
- c) **Review Trainee Training Surcharge rate (currently at \$15/trainee/move), and the revenues, expenditures and reserve balance. Recommendation to the Board to adjust the Trainee Training Surcharge rate, if warranted. (Executive Director Garfinkle/Assistant Director Cristia-Plant)**

The Committee reviewed and discussed the Board Operations, Pilot Continuing Education, and Trainee Training Surcharges. Chairman Hoppes and Mr. Jacobs both commented about the ship moves data, and the unknown impacts to ship movements by the decisions on tariffs. The Committee discussed the direct funds transfers out, and that the amount varies from year to year, but that the Board owes the amount billed. Chairman Hoppes stated that the Committee should evaluate the Pilot Continuing Education surcharge rate for potential future changes as the fund balance continues to go down. He also concluded that it appears that all three surcharge rates appear to be on target, subject to continued monitoring.

MOVE: Mr. Paetzold moved that the Committee recommend to the Board to maintain the Board Operations Surcharge at 2.75% of all pilotage fees, to maintain the Pilot Continuing Education Surcharge rate at \$25/move, and to maintain the Trainee Training surcharge rate at \$15/trainee/move. Mr. Jacob seconded the motion.

VOTE: YES: Hoppes, Jacob, Nyborg, and Paetzold.
NO: None

ACTION: The motion was approved.

4. **Review of Navigation Technology Surcharge rate (currently at \$40/move), and the revenues, expenditures and reserve balance. Recommendation to the Board to adjust the Navigation Technology Surcharge rate, if warranted. (Ray Paetzold, San Francisco Bar Pilots Business Manager-General Counsel)**

Mr. Paetzold reported the following:

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- The Navigation Technology surcharge rate became effective July 1, 2017, and was set by the Board at \$40/move.
- The amount billed under the Navigation Technology Surcharge from July 1, 2017, through November 30, 2018, was \$492,200.
- The amount of the Navigation Technology Surcharge funds used to reimburse the SFBP for the line of credit interest payments and loans fees through November 30, 2018, was \$53,401.28.
- The amount of the Navigation Technology Surcharge funds used to reduce the line of credit principal was \$150,000, as of November 30, 2018.
- The Navigation Technology reserve balance held in the checking account totaled \$94,493.778, as of November 30, 2018.
- The SFBP projects to collect approximately \$29,000/month based upon \$40/month and an average of 725 moves/month.
- Monthly principal payments on the long term loan are currently at \$24,207, plus interest at approximately \$3,000/month and declining as the principal reduces.
- The SFBP is projecting to spend approximately \$28,000 for Rose Point software annual support and upgrades for 56 licenses, plus an estimated \$3,000 for the 6 additional licenses covered under the SFBP final authorization request subject to satisfactory Beta testing of the upgrade samples.
- That the Navigation Technology Surcharge rate be maintained at \$40/move, to be reviewed again in the first quarter of 2019.

Assistant Director Cristia-Plant stated that she reviewed the financial information provided by Mr. Paetzold, and the Board's documentation Navigation Technology Surcharge billings, and agreed with Mr. Paetzold's recommendation to maintain the surcharge rate at \$40/move.

MOVE: Mr. Paetzold moved that the Committee recommend to the Board to maintain the current surcharge rate of \$40/move. Mr. Jacob seconded the motion.

VOTE: YES: Hoppes, Jacob, Nyborg, and Paetzold.
NO: None

ACTION: The motion was approved.

5. **Review and discussion of the San Francisco Bar Pilots' (SFBP) recovery of Navigation Technology expenditures for past and future financing costs consistent with the Board action on June 22, 2017, in response to SFBP's Final Navigation Technology Acquisition Authorization Request, and further amended by Board action on September 13, 2019. Possible Committee action to recommend to the Board to authorize the SFBP to recover Navigation Technology expenditures for past and future financing costs consistent with the Board action on June 22, 2017, in response to SFBP's Final Navigation Technology Acquisition Authorization Request, and further amended by Board action on September 13, 2019.**

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Mr. Paetzold stated that due to interest rate increases on the navigation technology financing, interest costs were higher than originally anticipated in the final navigation technology authorization approved by the Board. He reported the following bank financing information:

- Interest incurred on the navigation technology bank loan between the period of September 1, 2018, and September 30, 2018 was \$2,824.18.
- Interest incurred on the navigation technology bank loan between the period of October 1, 2018, and October 31, 2018, was \$2,798.63.
- Interest incurred on the navigation technology bank loan between the period of November 1, 2018, and November 30, 2018, was \$2,534.82.
- Total interest incurred on the navigation technology bank loan between September 1, 2018, and November 30, 2018, was \$8,157.63.

The Committee reviewed the navigation technology Board-approved final costs, the projected cost estimates inclusive of the increased financing costs, and the navigation technology loan amortization schedule dated 10/29/2018 that reflected the financing interest rate as of November 1, 2018, at 5.25%.

Chairman Hoppes called for a short recess.

RECESS BEGAN: 10:59 A.M.
RECESS ENDED AND RETURN TO OPEN SESSION: 11:05 A.M.

Mr. Paetzold stated that the San Francisco Bar Pilots Benevolent and Protective Association seeks authorization to recover from Navigation Technology Surcharge funds the interest costs incurred from September 1, 2018 through November 30, 2018, as reported above, which increased total navigation technology costs by \$7,222, and to recovery future financing costs as the cost is incurred not to exceed the total amount listed on the amortization schedule of \$42,459.49, which would leave \$28,187 remaining in future interest costs.

The Committee discussed a multi-part recommendation to the Board to (1) authorize an increase to the navigation technology final authorization amount to account for the increased financing costs, (2) allow the San Francisco Bar Pilots Benevolent and Protective Association to recover financing costs incurred from September 1, 2018, through November 30, 2018, and (3) authorize the San Francisco Bar Pilots Benevolent and Protective Association to reimburse itself for future navigation technology financing costs incurred after November 30, 2018, as those costs are incurred not to exceed the amount of total interest cost as listed on the amortization schedule.

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MOVE: Chairman Hoppes moved that the Committee recommend to the Board to authorize an increase to the Navigation Technology final authorization amount approved by the Board at the June 22, 2017, meeting by \$7,222 from \$1,117,814 to \$1,125,036, to provide for increased bank financing costs due to variable financing interest rates. Mr. Paetzold seconded the motion.

VOTE: YES: Hoppes, Jacob, Nyborg, and Paetzold.
NO: None

ACTION: The motion was approved.

MOVE: Mr. Paetzold moved that the Committee recommend to the Board to authorize the San Francisco Bar Pilots Benevolent and Protective Association to reimburse itself from Navigation Technology Surcharge funds for navigation technology bank loan financing costs incurred from September 1, 2018, through November 30, 2018, in the amount of \$8,157.63. Mr. Jacob seconded the motion.

VOTE: YES: Hoppes, Jacob, Nyborg, and Paetzold.
NO: None

ACTION: The motion was approved.

MOVE: Mr. Paetzold moved that the Committee recommend to the Board to authorize the San Francisco Bar Pilots Benevolent and Protective Association to reimburse itself from Navigation Technology Surcharge funds for future navigation technology bank loan financing costs incurred after November 30, 2018, through December 2020, as those costs are incurred, not to exceed \$28,187. Mr. Jacob seconded the motion.

VOTE: YES: Hoppes, Jacob, Nyborg, and Paetzold.
NO: None

ACTION: The motion was approved.

- 6. Review and discussion of a petition from the Port Agent pursuant to Title 7 of the California Code of Regulations §219(a) to cease collection efforts related to the remaining past due surcharge billings owed to the San Francisco Bar Pilots by the Hanjin Shipping Company totaling \$19,848.19, on the basis that further collection efforts would not be economic in light of the costs of collection. Possible recommendation to the Board to accept a petition from the Port Agent pursuant to Title 7, California Code of Regulations §219(a) to cease collection efforts related to the remaining past due surcharge billings owed to the San Francisco Bar Pilots by the Hanjin Shipping Company totaling \$19,848.19 on the basis that further collection efforts would not be economic in light of the costs of collection.**

Committee members were presented with a letter from SFBP Port Agent Long addressed to Board President Schmid dated November 28, 2018, outlining a petition to the Board to authorize the SFBP to cease collection efforts of outstanding surcharges still owed by Hanjin.

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Mr. Paetzold stated that for six Hanjin vessels the SFBP received the entire surcharge billed amount or a Board-approved negotiated portion of the surcharge billed amount, and that it likely will be very difficult, costly and uneconomical to collect billings from the remaining three Hanjin vessels through the bankruptcy court.

Mr. Paetzold stated that the Hanjin surcharge billings still outstanding totals \$19,848.19. Chairman Hoppes acknowledged that nearly 59% of the total Hanjin billings were collected by the SFBP. Mr. Paetzold confirmed for Chairman Hoppes that it is the intent of the SFBP should there be any future recoveries on the outstanding Hanjin invoices, that the SFBP would report to the Board any such collections, and that the recovery would be applied to the surcharges in proportion of the surcharge amount to the total billed amount on the invoice in the event that less than the billed amount is recovered.

MOVE: Mr. Paetzold moved that the Committee recommend to the Board to cease collection efforts related to the remaining past due surcharge billings owed to the San Francisco Bar Pilots by the Hanjin Shipping Company totaling \$19,848.19, on the basis that further collection efforts would not be economic in light of the costs of collection, that any future collections will be reported to the Board, and that recoveries of less than the billed amount will be applied in proportion of the surcharge amount to the total billed amount. Chairman Hoppes seconded the motion.

VOTE: YES: Hoppes, Jacob, Nyborg, and Paetzold.

NO: None

ACTION: The motion was approved.

7. Review and discuss the Consolidating Financial Statements of the SFBP and the SFBP Benevolent and Protective Association for year ended December 31, 2017.

Mr. Paetzold reviewed the Consolidating Financial Statements of the SFBP and the SFBP Benevolent and Protective Association for year ended December 31, 2017.

8. Review of pilotage and surcharge audit report for 2017 calendar year prepared by the State Controller's Office under contract with the Board. Possible recommendation to Board to accept the State Controller's Office pilotage and surcharge audit report for 2017 in satisfaction of the contract scope of work. (Executive Director Garfinkle/Assistant Director Cristia-Plant)

Assistant Director Cristia-Plant briefly reviewed the draft State Controller's Office audit report for 2017 of pilotage rates and surcharges, noting that there were no exceptions. She explained that the final report was expected to be submitted to the Board in the very near future.

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MOVE: Mr. Paetzold moved that the Committee recommend to the Board to accept the draft State Controller's Office 2017 pilotage rate and surcharge report so long as the final report submitted to the Board is substantially similar to the draft report dated December 4, 2018. Mr. Jacob seconded the motion.

VOTE: YES: Hoppes, Jacob, Nyborg, and Paetzold.

NO: None

ACTION: The motion was approved.

9. Public comment on matters not on the agenda.

There were no comments from the public.

10. Schedule the next Committee meeting, and proposals for the next Committee meeting agenda.

The Committee scheduled to hold the next meeting on Thursday, March 21, 2019.

11. Adjournment.

There was no further discussion by the Committee.

MOVE: Commissioner Nyborg moved to adjourn the meeting. Mr. Paetzold seconded the motion.

VOTE: YES: Hoppes, Jacob, Nyborg, and Paetzold

NO: None.

ACTION: The motion was approved and the meeting adjourned at 11:32 a.m.

Submitted by:



Allen Garfinkle, Executive Director